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SUBJECT: THE GAMBIA: GOTG ISSUES INITIAL OIL EXPLORATION
LICENSE

REF: BANJUL 492 AND PREVIOUS

Classified By: AMBASSADOR JOSEPH STAFFORD, REASON 1.4 (B AND D)

¶1. (SBU) Local media have announced a September 8 agreement between the GOTG and a Canadian oil company, Buried Hill Energy Company (BHEC), whereby the latter obtained an oil exploration license covering two of six blocks in the GOTG-designated offshore exploration zone. Issuance of the exploration license followed the December 2005 signature of a MOU between the GOTG and BHEC (reftel). In September 19 conversation with Ambassador and Poloff, recently-appointed Petroleum Commissioner Fafa Sanyang stated that, under the terms of the license agreement, BHEC is required to begin drilling within two years. He expressed hope that the agreement with Buried Hill would encourage other foreign firms -- American, in particular -- also to seek exploration licenses for the remaining available blocks.

¶2. (C) COMMENT: The GOTG has now issued its initial exploration license; previously, its efforts in recent years to elicit Western and other foreign companies' interest in development of The Gambia's oil resources had failed to bear fruit. U.S. oil firm reps had explained their hesitancy to pursue exploration here in terms of uncertainty over the actual extent of those reserves coupled with what they claimed was the GOTG's unwillingness to offer sufficient incentives to entice them to bear the heavy costs involved in deep water drilling for an unknown payoff. The agreement with BHEC -- which previously conducted a seismic study of the offshore area concerned -- suggests that the GOTG finally decided to offer the incentives that the firm required to commit to exploration. END COMMENT.
STAFFORD